

Persistent Systems

| | |
|-----------------|---|
| Estimate change | ↑ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|-----------------------|-------------|
| Bloomberg | PSYS IN |
| Equity Shares (m) | 156 |
| M.Cap.(INRb)/(USD b) | 834.8 / 9.4 |
| 52-Week Range (INR) | 6789 / 4149 |
| 1, 6, 12 Rel. Per (%) | -1/7/-5 |
| 12M Avg Val (INR M) | 3142 |

Financials & Valuations (INR b)

| Y/E Mar | FY26E | FY27E | FY28E |
|-----------------|-------|-------|-------|
| Sales | 146.1 | 175.9 | 209.7 |
| EBIT Margin (%) | 15.7 | 16.2 | 16.0 |
| Adj. PAT | 18.6 | 23.0 | 27.0 |
| Adj. EPS (INR) | 119.1 | 147.0 | 172.7 |
| EPS Gr.(%) | 32.0 | 23.4 | 17.5 |
| BV/Sh.(INR) | 478.5 | 566.7 | 670.9 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 27.1 | 28.3 | 28.1 |
| RoCE (%) | 24.5 | 25.7 | 25.5 |
| Payout (%) | 40.0 | 40.0 | 40.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 44.8 | 36.3 | 30.9 |
| P/BV (x) | 11.2 | 9.4 | 8.0 |
| EV/EBITDA (x) | 29.9 | 24.4 | 20.5 |
| Div. Yield (%) | 0.9 | 1.1 | 1.3 |

Shareholding pattern (%)

| As On | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 30.6 | 30.7 | 31.0 |
| DII | 27.8 | 26.9 | 28.2 |
| FII | 24.8 | 25.2 | 23.2 |
| Others | 16.9 | 17.3 | 17.5 |

FII Includes depository receipts

CMP: INR5,338 TP: INR6,550 (+23%) Buy

In the pink of health

Healthy beat justifies premium valuations

- Persistent Systems (PSYS) reported 2QFY26 revenue of USD406m (vs. est. USD404m), up 4.2% QoQ in USD terms and 4.4% in CC (est. +3.5%). EBIT margin stood at 16.3% (est. 15.7%).
- EBIT grew 12.7% QoQ/43.7% YoY to INR5.8b. Adj. PAT came in at INR4.7b (est. INR4.4b), up 11% QoQ/45% YoY. For 1HFY26, revenue/EBIT/PAT grew 22.7%/39.4%/42.0% YoY in INR terms.
- We expect revenue/EBIT/PAT to grow 22.1%/24.7%/25.5% YoY in 2HFY25. TTM TCV was USD609m, up 17% QoQ/15% YoY (1.5x book-to-bill). Given its consistent execution and visibility on growth, we value PSYS at 43x Jun'27E EPS. Reiterate **BUY** with a TP of INR6,550.

Our view: Deal TCV improving even as demand remains uncertain

- **Growth came in above estimates; FY27 target intact:** PSYS reported 4.4% QoQ CC growth in 2QFY26, coming in ahead of estimates, driven by traction in BFSI (+7.0% QoQ) and steady growth in Healthcare (+3.8% QoQ). At a CQGR of around 4.5% over the next couple of quarters, PSYS should comfortably deliver ~17.5% YoY CC growth in FY26E. While this is a slight moderation from FY25 levels, it remains healthy in the current demand environment. The company also reaffirmed its USD2b revenue target by FY27, implying ~18% CC CAGR over FY25-27.
- **Margin performance admirable:** EBIT margin stood at 16.3%, up 80bp QoQ. The improvement was supported by a few one-offs and operational levers: +80bps from software license cost reversal for one client, +60bps from currency gain, and +30bps from offshoring ramp-up for a large healthcare client, partly offset by -50bps from higher doubtful debt provisions, -20bps from lower utilization, and -20bps from IT amortization and depreciation.
- We do expect some margin pullback in 3Q due to wage hikes. Utilization stands at 87% and key margin levers are now peaked out. SG&A leverage continues to be a key margin lever. Currency gains have been a broad positive this quarter; however, if the currency moves unfavorably, it could turn into a near-term risk. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), even as management guides for around 100bps improvement in FY27.
- **Pipeline remains healthy, but conversion remains key:** TTM TCV stood at USD609m, up 15% YoY, with a healthy 1.5x book-to-bill ratio. That said, net new deal TCV remains a bit soft. Conversion will remain the key monitorable in the near term. PSYS continues to chase larger deals and sharpen its focus on TCV-to-ACV conversion, supported by good traction in BFSI and growing adoption of AI-led programs.

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Valuation and revisions to our estimates

- **We project a 19% USD revenue CAGR over FY25-27 for PSYS**, which, combined with margin expansion, could result in ~26% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We revise our FY27E estimates upward by 4%, reflecting continued revenue momentum and steady margin gains. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), while our FY25/FY26 estimates remain largely unchanged. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 43x Jun'27E EPS. **Reiterate BUY with a TP of INR6,550.**

Beat on revenue and margins; deal TCV momentum returns

- 2QFY26 revenue stood at USD 406m, up 4.2% QoQ in USD terms (above our estimate of 3.7% QoQ). The company reported CC growth of 4.4% QoQ vs our estimate of 3.5% QoQ CC growth.
- Growth was led by BFSI (up 7.0% QoQ) and Healthcare (up 3.8% QoQ).
- EBIT margin at 16.3% was up 80bps QoQ and above our estimate of 15.7%.
- TCV was USD609m, up 17% QoQ/15% YoY (1.5x book-to-bill).
- Net new TCV was up 4% QoQ at USD350.8m. ACV stood at USD447m.
- Net headcount improved by 3.5% QoQ. Utilization dipped 50bp QoQ at 88.2%. TTM attrition was down 10bp QoQ at 13.8%.
- EBITDA grew 11.8% QoQ/42% YoY to INR6.8b. EBITDA margin came in at 19.1%, above our estimate of 18.4%.
- Adj. PAT stood at INR4.7b (up 11% QoQ/45% YoY), above our estimate of INR4.4b.

Key highlights from the management commentary

- The macro environment remains mixed; however, it is gradually stabilizing as stakeholders adapt to it. It remains confident in its ability to sustain a historical growth momentum.
- The industry is expected to continue reporting robust deal wins going forward.
- The company remains committed to strengthening its capabilities in AI.
- BFSI is expected to lead growth due to deal ramp-ups and a healthy pipeline, followed by Hi-Tech and Healthcare.
- It is still early for AI to have a significant impact on renewal deal revenues; however, the company is proactively integrating AI-led solutions with its top 100 customers (~82% of revenue).
- Offshoring ratio remains optimal at ~85%. The pricing structure is aligned with customer agreements to ensure a fair realization.
- Wage hikes effective from 1st Oct 2025 for all employees are expected to impact margins by 180bps in 3Q; however, ~80-100bp of this impact is expected to be offset through utilization, offshoring, and subcontractor rationalization.
- Healthcare & Life Sciences (HLS): Large deals are progressing through ramp-up, offshoring, and optimization cycles.
- SASVA streamlines SDLC and optimizes GPU infrastructure for scale. The company has filed 20 new patents, bringing the total SASVA patents to 75.

Valuation and view

- **We project a 19% USD revenue CAGR over FY25-27 for PSYS**, which, combined with margin expansion, could result in a ~26% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We revise our FY27E estimates upward by 4%, reflecting continued revenue momentum and steady margin gains. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), while our FY25/FY26 estimates remain largely unchanged. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 43x Jun'27E EPS. **Reiterate BUY with a TP of INR6,550.**

Quarterly Performance (IFRS)

| Y/E March (Consolidated) | FY25 | | | | FY26E | | | | FY25 | FY26E | Est. 2QFY26 | Var. (% / bp) |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|----------------|------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Revenue (USD m) | 328 | 346 | 360 | 375 | 390 | 406 | 424 | 443 | 1,409 | 1,664 | 404.0 | 0.5 |
| QoQ (%) | 5.6 | 5.3 | 4.3 | 4.2 | 3.9 | 4.2 | 4.5 | 4.5 | 18.8 | 18.1 | 3.7 | 57bp |
| Revenue (INR m) | 27,372 | 28,972 | 30,623 | 32,421 | 33,336 | 35,807 | 37,641 | 39,334 | 1,19,387 | 1,46,118 | 35,259 | 1.6 |
| QoQ (%) | 5.7 | 5.8 | 5.7 | 5.9 | 2.8 | 7.4 | 5.1 | 4.5 | | | 5.8 | 164bp |
| YoY (%) | 17.9 | 20.1 | 22.6 | 25.2 | 21.8 | 23.6 | 22.9 | 21.3 | 21.6 | 22.4 | 21.7 | 189bp |
| GPM (%) | 33.0 | 33.4 | 34.7 | 34.9 | 35.3 | 36.0 | 34.0 | 36.0 | 34.0 | 35.3 | 35.0 | 98bp |
| SGA (%) | 16.4 | 16.8 | 17.1 | 16.8 | 16.9 | 16.9 | 16.6 | 17.0 | 16.8 | 16.9 | 16.6 | 28bp |
| EBITDA | 4,552 | 4,807 | 5,378 | 5,844 | 6,116 | 6,838 | 6,549 | 7,474 | 20,581 | 26,977 | 6,488 | 5.4 |
| EBITDA Margin (%) | 16.6 | 16.6 | 17.6 | 18.0 | 18.3 | 19.1 | 17.4 | 19.0 | 17.2 | 18.5 | 18.4 | 70bp |
| EBIT | 3,840 | 4,062 | 4,557 | 5,053 | 5,178 | 5,837 | 5,571 | 6,411 | 17,512 | 22,998 | 5,536 | 5.5 |
| EBIT Margin (%) | 14.0 | 14.0 | 14.9 | 15.6 | 15.5 | 16.3 | 14.8 | 16.3 | 14.7 | 15.7 | 15.7 | 60bp |
| Other income | 165 | 283 | 263 | -1 | 376 | 331 | 301 | 315 | 710 | 1,323 | 282 | 17.3 |
| ETR (%) | 23.5 | 25.2 | 22.6 | 21.7 | 23.5 | 23.6 | 23.3 | 23.5 | 23.2 | 23.5 | 23.0 | |
| Adj. PAT | 3,064 | 3,250 | 3,729 | 3,958 | 4,249 | 4,715 | 4,504 | 5,146 | 14,001 | 18,613 | 4,480 | 5.2 |
| QoQ (%) | -2.8 | 6.1 | 14.7 | 6.1 | 7.4 | 10.9 | -4.5 | 14.2 | | | 5.4 | 553bp |
| YoY (%) | 10.5 | 23.4 | 30.3 | 25.5 | 38.7 | 45.1 | 20.8 | 30.0 | 22.6 | 32.9 | 37.8 | 723bp |
| Reported EPS (INR) | 19.9 | 21.0 | 23.9 | 25.4 | 27.2 | 30.2 | 28.8 | 32.9 | 90.2 | 119.1 | 28.7 | 5.1 |

Key Performance Indicators

| Y/E March | FY25 | | | | FY26 | | FY25 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | |
| Revenue (QoQ CC %) | 5.6 | 5.1 | 4.6 | 4.5 | 3.3 | 4.4 | |
| Margins | | | | | | | |
| Gross Margin | 33.0 | 33.4 | 34.7 | 34.9 | 35.3 | 36.0 | 34.0 |
| EBIT Margin | 14.0 | 14.0 | 14.9 | 15.6 | 15.5 | 16.3 | 14.7 |
| Net Margin | 11.2 | 11.2 | 12.2 | 12.2 | 12.7 | 13.2 | 11.7 |
| Operating metrics | | | | | | | |
| Headcount | 23,519 | 23,237 | 23,942 | 24,594 | 25,340 | 26,224 | 24,594 |
| Voluntary Attrition (%) | 11.9 | 12.0 | 12.6 | 12.9 | 13.9 | 13.8 | 12.9 |
| Utilisation (%) | 82.1 | 84.8 | 87.4 | 88.4 | 88.7 | 88.2 | 88.4 |
| Effort Mix(%) | | | | | | | |
| Global Delivery Centers | 15.2 | 15.8 | 15.1 | 14.8 | 14.5 | 14.1 | 15.2 |
| India | 84.8 | 84.2 | 84.9 | 85.2 | 85.5 | 85.9 | 84.8 |



Highlights from the management commentary

Growth and demand outlook

- Macro remains mixed, but the environment is stabilizing as stakeholders adapt to it. The company is confident of sustaining historical growth momentum.
- The industry is expected to continue reporting good deal wins going forward.
- The company remains committed to strengthening capabilities in AI. It is making steady progress toward achieving USD2b revenue by the end of FY27. The tech services industry is evolving toward “Service-as-Software” end-to-end solutions, combining services, software, and outcomes.
- 2QFY26 revenue stood at USD406m, up 4.2% QoQ in USD terms (+4.4% in CC).
- The company has reported robust growth across all client cohorts. BFSI is expected to lead growth due to deal ramp-ups and a healthy pipeline, followed by Hi-Tech and Healthcare.
- It is still early for AI to have a significant impact renewal deal revenues; however, the company is proactively integrating AI-led solutions into its top 100 customers (~82% of revenue).
- The company has maintained consistency in the TCV-to-ACV conversion. SASVA licensing revenue occasionally forms a part of large deals. AI-led deal wins are enabling the company to improve realization and margins.
- TCV stood at USD609m, up 17% QoQ / 15% YoY (book-to-bill ratio at 1.5x). Of this, USD351m came from new business.
- Growth outlook remains strong with broad-based bookings. The company has been selected by a leading cloud infra provider to build and scale AI infrastructure platforms using SASVA.
- **BFSI** led growth during the quarter. The company has been selected by a major American bank for tech debt remediation and CX transformation. Previously, it won a large multi-year deal with the same bank against a Tier-1 incumbent. Growth is broad-based across banks, fintechs, and other financial service providers.
- **Healthcare & Life Sciences (HLS):** Large deals are progressing through ramp-up, offshoring, and optimization cycles. The company faces no concerns with large clients, and its strong pipeline remains intact. It has been impacted by the “Big Beautiful Bill” in the US; it is closely supporting clients with compliance and tech solutions.
- Sub-verticalization within healthcare is yielding strong customer response and pipeline traction.
- **Europe:** Growth is driven by Hi-Tech customers, aided by the ramp-up of a previously won large deal. **North America / RoW:** No major updates have been shared.
- The company anticipates structural industry changes due to H1B visa-related developments. It may invest in onshore centers to strengthen delivery presence.
- “AI for Technology” is driving engineering hyper-productivity; “AI for Business” is focused on domain-based productivity. Enterprise data readiness framework enables secure data foundations; iAURA accelerates modernization of legacy systems.
- SASVA streamlines SDLC and optimizes GPU infrastructure for scale. The company has filed 20 new patents, bringing the total SASVA patents to 75. It

has announced new partnerships with Anthropic and DigitalOcean. Moreover, it has deployed 50+ AI agents across internal functions such as Finance, HR, and Business Delivery.

- The company is building AI capabilities faster than peers and executing them strongly on GTM. It has appointed Jaideep Dhok as the Chief Operating Officer.

Margin performance and outlook

- EBIT margin stood at 16.3%, up 80bps QoQ.
- Margin walk: +80bps from software license cost reversal for one client, +60bps from currency gain, +30bps from offshoring ramp-up for a large healthcare client; -50bps from higher doubtful debt provisions, -20bps from lower utilization, and -20bps from IT amortization and depreciation.
- Offshoring ratio remains optimal at ~85%. Its pricing structure is aligned with customer agreements to ensure fair realization.
- Wage hikes effective from 1st Oct 2025 for all employees are expected to impact margins by 180bps in 3Q; ~80-100bps of this will be offset by utilization, offshoring, and subcontractor rationalization.
- The company is comfortable with its current utilization levels and expects to maintain it for a few quarters before normalizing to 83–85%.
- Margin aspiration: +100bps improvement YoY in FY26 and FY27 each, after which growth will be prioritized.
- ETR for 2Q stood at 23.5%; FY26 guidance remains at 22.5–23.5%..

Exhibit 1: BFSI and Healthcare led growth

| Verticals (QoQ USD, %) | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|
| BFSI | 3.0 | 2.8 | 2.9 | 6.2 | 0.0 | -0.5 | 1.8 | 5.9 | 7.7 | 4.9 | 6.1 | 9.0 | 7.0 |
| Healthcare and Lifesciences | 4.8 | 2.9 | 4.4 | -2.7 | 7.0 | 16.4 | 14.8 | 16.5 | 9.6 | 4.3 | 0.4 | -1.9 | 3.8 |
| Software and Hi-tech and Emerging verticals | 8.3 | 4.1 | 4.3 | 3.2 | 3.8 | 0.1 | -0.8 | -0.5 | 0.8 | 3.7 | 5.2 | 3.6 | 2.2 |

Source: Company, MOFSL

Exhibit 2: Europe runs the growth show

| Geographies (QoQ USD, %) | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 |
|--------------------------|------|------|-------|------|------|------|------|------|------|------|------|------|------|
| North America | 6.1 | 1.5 | 4.9 | 4.7 | 3.1 | 3.7 | 3.9 | 6.4 | 6.1 | 3.2 | 4.2 | 3.0 | 4.2 |
| Europe | 3.3 | 12.2 | 18.9 | -3.0 | 1.0 | -3.5 | -9.4 | 5.6 | 6.6 | 8.2 | 6.7 | 11.3 | 7.7 |
| RoW | 5.0 | 10.6 | -11.8 | -3.1 | 5.0 | 4.0 | 9.8 | 0.3 | -1.1 | 9.1 | 2.3 | 4.8 | 1.4 |

Source: Company, MOFSL

Valuation and view

- **We project a 19% USD revenue CAGR over FY25-27 for PSYS**, which, combined with margin expansion, could result in a ~26% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We revise our FY27E estimates upward by 4%, reflecting continued revenue momentum and steady margin gains. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), while our FY25/FY26 estimates remain largely unchanged. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 43x Jun'27E EPS. **Reiterate BUY with a TP of INR6,550.**

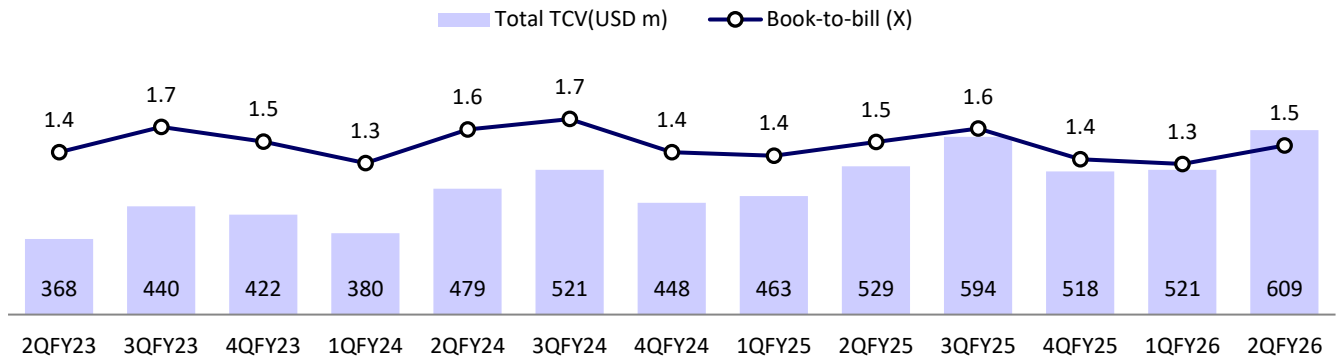
Exhibit 3: Changes to our estimates

| | Revised | | | Earlier | | | Change | | |
|-----------------|---------|--------|--------|---------|----------|----------|--------|-------|--------|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| INR/USD | 87.5 | 88.7 | 88.7 | 87.6 | 88.7 | 88.7 | -0.1% | 0.0% | 0.0% |
| USD Revenue (m) | 1,664 | 1,982 | 2,364 | 1,650 | 1,955.3 | 2,309.7 | 0.8% | 1.4% | 2.3% |
| Growth (%) | 18.1 | 19.2 | 19.3 | 17.1 | 18.5 | 18.1 | 90bps | 70bps | 110bps |
| EBIT margin (%) | 15.7 | 16.2 | 16.0 | 15.4 | 15.7 | 16.2 | 30bps | 50bps | -20bps |
| PAT (INR m) | 18,613 | 22,982 | 27,007 | 18,078 | 22,006.4 | 26,702.1 | 3.0% | 4.4% | 1.1% |
| EPS | 119.1 | 147.0 | 172.7 | 115.8 | 140.9 | 171.0 | 2.9% | 4.3% | 1.0% |

Source: MOFSL, Company

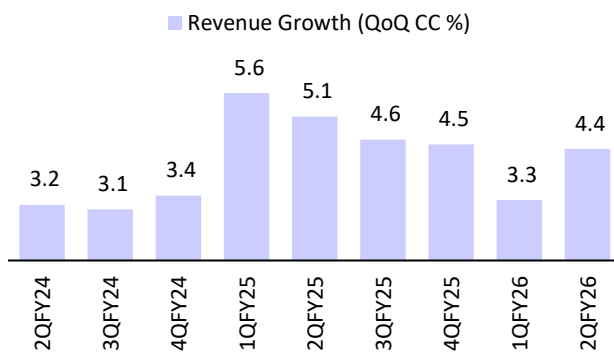
Story in charts

Exhibit 4: BTB rose to 1.5x; TCV stood at USD 609m



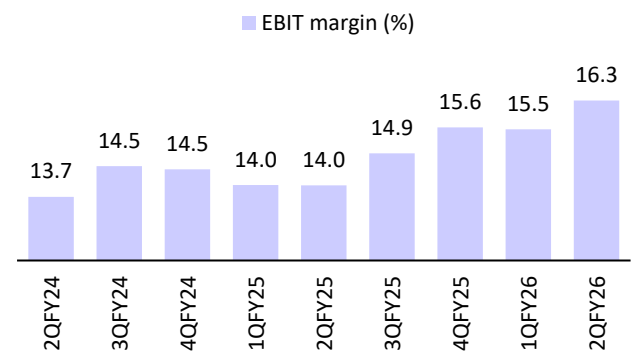
Source: Company, MOFSL

Exhibit 5: Reported 4.4% QoQ CC growth, above estimates



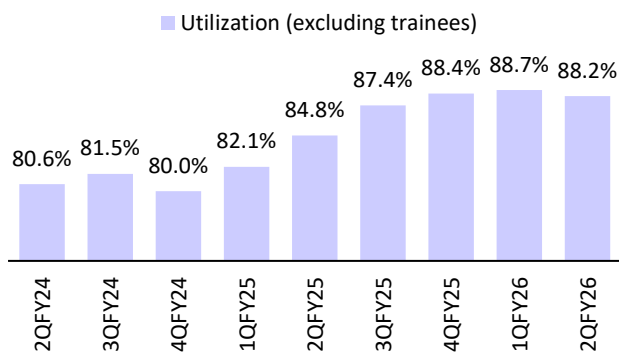
Source: Company, MOFSL

Exhibit 6: Margins expanded 70bp QoQ



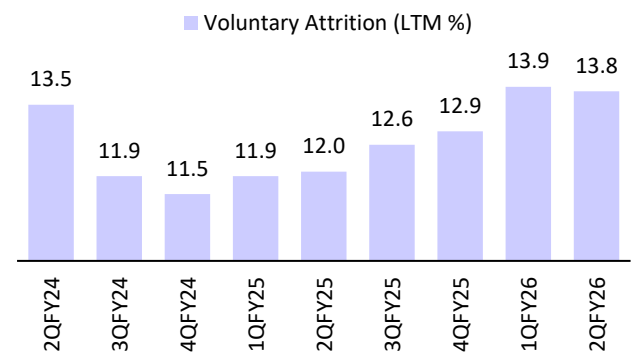
Source: Company, MOFSL

Exhibit 7: Utilization dipped 50bp to 88.2% in 2QFY26



Source: Company, MOFSL

Exhibit 8: Attrition rate remained flat QoQ



Source: Company, MOFSL

Exhibit 9: Operating metrics

| | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Geography (%) | | | | | | | | | |
| North America | 79.2 | 79.7 | 80.1 | 80.7 | 81.3 | 80.5 | 80.5 | 79.8 | 79.8 |
| Europe | 9.5 | 8.9 | 7.8 | 7.8 | 7.9 | 8.2 | 8.4 | 9 | 9.3 |
| RoW | 11.3 | 11.4 | 12.1 | 11.5 | 10.8 | 11.3 | 11.1 | 11.2 | 10.9 |
| Vertical Mix (%) | | | | | | | | | |
| BFSI | 32.3 | 31.2 | 30.7 | 30.8 | 31.5 | 31.7 | 32.3 | 33.9 | 34.8 |
| Healthcare & Life Science | 19.3 | 21.8 | 24.2 | 26.7 | 27.8 | 27.8 | 26.8 | 25.3 | 25.2 |
| Tech. Cos. & Emerging Verticals | 48.4 | 47 | 45.1 | 42.5 | 40.7 | 40.5 | 40.9 | 40.8 | 40 |
| Client Metrics (%) | | | | | | | | | |
| Top 5 Clients | 28.3 | 28 | 29.2 | 30.7 | 31.4 | 30.8 | 32.7 | 31.8 | 32.9 |
| Top 10 Clients | 39.5 | 39.3 | 40 | 41.5 | 41.5 | 40 | 42.2 | 42 | 43.2 |
| Employee Metrics | | | | | | | | | |
| Technical People | 21,263 | 21,738 | 22,224 | 21,866 | 21,675 | 22,407 | 23,072 | 23,787 | 24,608 |
| Sales & BD | 443 | 465 | 484 | 510 | 492 | 489 | 485 | 496 | 510 |
| Others | 1,136 | 1,133 | 1,142 | 1,143 | 1,070 | 1,046 | 1,037 | 1,057 | 1,106 |
| Total | 22,842 | 23,336 | 23,850 | 23,519 | 23,237 | 23,942 | 24,594 | 25,340 | 26,224 |
| Effort Mix | | | | | | | | | |
| - Global Delivery Centers | 12.70 | 13.80 | 14.80 | 15.20 | 15.80 | 15.10 | 14.80 | 14.50 | 14.10 |
| - India | 87.30 | 86.20 | 85.20 | 84.80 | 84.20 | 84.90 | 85.20 | 85.50 | 85.90 |
| Attrition (%) | 80.6 | 81.5 | 80 | 82.1 | 84.8 | 87.4 | 88.4 | 88.7 | 88.2 |
| Linear Utilization % | 13.5 | 11.9 | 11.5 | 11.9 | 12.0 | 12.6 | 12.9 | 13.9 | 13.8 |

Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | | | | (INR m) |
|---------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
| Sales | 41,879 | 57,107 | 83,506 | 98,216 | 1,19,387 | 1,46,118 | 1,75,852 | 2,09,707 |
| Change (%) | 17.4 | 36.4 | 46.2 | 17.6 | 21.6 | 22.4 | 20.3 | 19.3 |
| Cost of Goods Sold | 27,650 | 37,895 | 55,315 | 65,231 | 78,740 | 94,517 | 1,14,137 | 1,36,310 |
| Gross Profit | 14,229 | 19,212 | 28,191 | 32,985 | 40,647 | 51,601 | 61,716 | 73,398 |
| Selling Expenses | 7,398 | 9,556 | 12,999 | 15,742 | 20,066 | 24,624 | 28,924 | 34,811 |
| EBITDA | 6,830 | 9,656 | 15,191 | 17,243 | 20,581 | 26,977 | 32,792 | 38,586 |
| % of Net Sales | 16.3 | 16.9 | 18.2 | 17.6 | 17.2 | 18.5 | 18.6 | 18.4 |
| Depreciation | 1,756 | 1,660 | 2,719 | 3,094 | 3,069 | 3,979 | 4,220 | 5,033 |
| EBIT | 5,075 | 7,996 | 12,472 | 14,149 | 17,512 | 22,998 | 28,571 | 33,553 |
| % of Net Sales | 12.1 | 14.0 | 14.9 | 14.4 | 14.7 | 15.7 | 16.2 | 16.0 |
| Other Income | 1,020 | 1,321 | 233 | 813 | 710 | 1,323 | 1,407 | 1,678 |
| PBT | 6,094 | 9,317 | 12,705 | 14,962 | 18,222 | 24,320 | 29,978 | 35,231 |
| Tax | 1,588 | 2,339 | 3,198 | 3,541 | 4,222 | 5,707 | 6,996 | 8,224 |
| Rate (%) | 26.1 | 25.1 | 25.2 | 23.7 | 23.2 | 23.5 | 23.3 | 23.3 |
| Extraordinary Item | 0 | 75 | 297 | 486 | 0 | 0 | 0 | 0 |
| Adjusted PAT | 4,507 | 6,904 | 9,211 | 10,935 | 14,001 | 18,613 | 22,982 | 27,007 |
| Change (%) | 32.4 | 53.2 | 33.4 | 18.7 | 28.0 | 32.9 | 23.5 | 17.5 |

| Balance Sheet | | | | | | | | (INR m) |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E March | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
| Share Capital | 764 | 764 | 764 | 770 | 779 | 779 | 779 | 779 |
| Other Reserves | 27,192 | 32,918 | 38,887 | 48,807 | 62,411 | 73,579 | 87,369 | 1,03,572 |
| Net Worth | 27,957 | 33,682 | 39,651 | 49,577 | 63,191 | 74,359 | 88,148 | 1,04,352 |
| Loans | 44 | 4,889 | 4,947 | 99 | - | - | - | - |
| Other liabilities | 957 | 1,360 | 2,013 | 2,218 | 2,848 | 3,485 | 4,194 | 5,002 |
| Capital Employed | 28,958 | 39,931 | 46,610 | 51,894 | 66,038 | 77,844 | 92,342 | 1,09,354 |
| Gross Block | 17,788 | 27,391 | 33,914 | 32,079 | 36,920 | 42,420 | 47,920 | 53,420 |
| Less : Depreciation | 13,305 | 14,965 | 17,684 | 20,777 | 23,847 | 27,826 | 32,046 | 37,079 |
| Net Block | 3,254 | 4,276 | 7,058 | 6,727 | 8,150 | 9,670 | 10,950 | 11,417 |
| CWIP | 122 | 1,071 | 161 | 335 | 42 | 42 | 42 | 42 |
| Intangibles | 1,315 | 11,060 | 16,355 | 15,488 | 17,261 | 17,261 | 17,261 | 17,261 |
| Investments | 3,621 | 3,878 | 4,516 | 5,539 | 6,415 | 6,415 | 6,415 | 6,415 |
| Deferred Tax Assets | 1,038 | 1,123 | 1,129 | 1,360 | 2,024 | 1,461 | 1,759 | 2,097 |
| Other | 602 | 4,394 | 1,792 | 3,056 | 3,215 | 3,934 | 4,735 | 5,646 |
| Current Assets | 26,703 | 28,339 | 35,179 | 41,232 | 50,260 | 64,126 | 79,739 | 99,009 |
| Debtors | 5,709 | 9,484 | 15,705 | 16,761 | 18,478 | 20,817 | 25,053 | 29,876 |
| Investments | 13,765 | 10,514 | 6,242 | 6,330 | 6,899 | 9,399 | 11,899 | 14,399 |
| Cash & BB | 2,419 | 2,978 | 4,670 | 6,625 | 6,744 | 13,454 | 18,168 | 25,375 |
| Loans & Advances | 71 | 16 | - | - | - | - | - | - |
| Other Current Assets | 4,739 | 5,347 | 8,562 | 11,515 | 18,139 | 20,457 | 24,619 | 29,359 |
| Current Liab. & Prov | 7,697 | 14,210 | 19,581 | 21,842 | 21,328 | 25,066 | 28,558 | 32,534 |
| Trade payables | 2,733 | 4,299 | 5,689 | 8,139 | 8,886 | 11,609 | 13,972 | 16,662 |
| Other Liabilities | 2,486 | 5,961 | 9,243 | 10,372 | 8,413 | 8,526 | 8,652 | 8,796 |
| Provisions | 2,478 | 3,950 | 4,649 | 3,331 | 4,029 | 4,931 | 5,934 | 7,076 |
| Net Current Assets | 19,006 | 14,130 | 15,598 | 19,390 | 28,932 | 39,060 | 51,181 | 66,475 |
| Application of Funds | 28,958 | 39,931 | 46,610 | 51,894 | 66,038 | 77,844 | 92,343 | 1,09,354 |

Financials and valuations

Ratios

| Y/E March | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 29.5 | 45.7 | 62.5 | 75.1 | 90.2 | 119.1 | 147.0 | 172.7 |
| Cash EPS | 41.0 | 56.5 | 80.4 | 95.4 | 110.0 | 144.5 | 174.0 | 204.9 |
| Book Value | 182.9 | 220.4 | 260.7 | 325.9 | 411.9 | 478.5 | 566.7 | 670.9 |
| DPS | 10.0 | 15.5 | 25.0 | 26.0 | 35.0 | 47.6 | 58.8 | 69.1 |
| Payout % | 33.9 | 33.9 | 40.0 | 34.6 | 38.8 | 40.0 | 40.0 | 40.0 |
| Valuation (x) | | | | | | | | |
| P/E | 181.0 | 116.9 | 85.4 | 71.1 | 59.2 | 44.8 | 36.3 | 30.9 |
| Cash P/E | 130.3 | 94.4 | 66.4 | 55.9 | 48.5 | 36.9 | 30.7 | 26.1 |
| EV/EBITDA | 117.1 | 83.6 | 53.1 | 46.3 | 39.1 | 29.9 | 24.4 | 20.5 |
| EV/Sales | 19.1 | 14.1 | 9.7 | 8.1 | 6.7 | 5.5 | 4.6 | 3.8 |
| Price/Book Value | 29.2 | 24.2 | 20.5 | 16.4 | 13.0 | 11.2 | 9.4 | 8.0 |
| Dividend Yield (%) | 0.2 | 0.3 | 0.5 | 0.5 | 0.7 | 0.9 | 1.1 | 1.3 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 17.4 | 22.6 | 25.9 | 25.6 | 24.8 | 27.1 | 28.3 | 28.1 |
| RoCE | 14.1 | 17.4 | 21.6 | 21.9 | 22.8 | 24.5 | 25.7 | 25.5 |
| Turnover Ratios | | | | | | | | |
| Debtors (Days) | 50 | 61 | 69 | 62 | 56 | 52 | 52 | 52 |
| Asset Turnover (x) | 13.9 | 15.2 | 14.7 | 14.2 | 16.1 | 16.4 | 17.1 | 18.8 |

Cash Flow Statement

(InR m)

| Y/E March | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| CF from Operations | 5,781 | 8,857 | 13,935 | 14,265 | 17,803 | 22,592 | 27,202 | 32,040 |
| Chg. in Working Capital | 1,578 | -407 | -4,377 | -2,052 | -6,233 | -437 | -5,296 | -6,030 |
| Net Operating CF | 7,359 | 8,450 | 9,558 | 12,213 | 11,569 | 22,155 | 21,906 | 26,010 |
| Net Purchase of FA | -1,251 | -3,808 | -4,290 | -2,710 | -1,931 | -5,500 | -5,500 | -5,500 |
| Free Cash Flow | 6,108 | 4,642 | 5,268 | 9,503 | 9,638 | 16,655 | 16,406 | 20,510 |
| Net Purchase of Invest. | -4,166 | -5,965 | 76 | -1,985 | -2,414 | -2,500 | -2,500 | -2,500 |
| Net Cash from Inv. | -5,417 | -9,773 | -4,213 | -4,695 | -4,344 | -8,000 | -8,000 | -8,000 |
| Issue of shares | 0 | 0 | 0 | 1,608 | 0 | 0 | 0 | 0 |
| Proceeds from LTB/STB | -3,044 | 3,810 | -1,059 | -3,461 | -1,309 | 0 | 0 | 0 |
| Dividend Payments | -1,070 | -1,987 | -2,981 | -4,084 | -4,973 | -7,445 | -9,193 | -10,803 |
| Net CF from Finan. | -4,114 | 1,823 | -4,039 | -5,937 | -6,282 | -7,445 | -9,193 | -10,803 |
| Net Cash Flow | -2,171 | 499 | 1,305 | 1,581 | 943 | 6,710 | 4,714 | 7,207 |
| Exchange difference | 19 | 59 | 387 | 374 | -824 | 0 | 0 | 0 |
| Opening Cash Balance | 4,572 | 2,420 | 2,979 | 4,671 | 6,626 | 6,745 | 13,455 | 18,169 |
| Closing CashBalance | 2,420 | 2,979 | 4,671 | 6,626 | 6,745 | 13,455 | 18,169 | 25,376 |

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|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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